CHAPTER 8

ECONOMIC VITALITY

BASIS AND STRUCTURE

The overall vitality of the Meadowlands District is dependent upon its economic strength. Yet the District's future is also integrally connected to the conditions of its environment and society. These three components of sustainability are addressed by the Master Plan through a series of policy statements regarding the physical use of lands within the District and indicating how those desires are to be achieved. This chapter emphasizes economic considerations, such as employment and business development.

Besides its redevelopment process, described in Chapter 3, one of the NJMC's main tools for promoting economic vitality in the District is intermunicipal tax-sharing. When the original Master Plan was created, it became apparent that a tax sharing plan among the District's municipalities was essential. With the District comprised of parts of fourteen municipalities and two counties, there was considerable fragmentation of property tax jurisdictions. A fiscal mechanism was necessary to share the benefits of development as certain areas were zoned for industrial, commercial, and residential uses, while others were zoned for parks, highways, open space and other non-taxable public uses. More simply, those sites designated for industrial, shopping center and high density residential uses would offer the potential for relatively high property tax revenues for the municipalities in which they are located. Those sites selected for parks, highways and schools, on the other hand, would not. With zoning taking place on a regional basis, the concern of possible financial inequities arose. Also, it was expected that funding would be needed to encourage individual municipalities to undertake capital improvements of benefit to the District as a whole.

The principals of the Intermunicipal Tax-Sharing Program were conceived by the municipalities themselves, sitting as the Meadowlands Regional Development Agency. The tax sharing plan was designed to balance these inequities so that the District could be developed with each community receiving a proportionate share of property taxes from post-1970 development, regardless of where it occurs.

The legal basis for the Intermunicipal Tax-Sharing Program is contained in Chapter 9 of the Hackensack Meadowlands Reclamation and Development Act as amended by Chapter 103, Public Law, 1972. The program is designed to enable the District's municipalities to "equitably share in the new financial benefits and new costs resulting from the development of the Meadowlands District as a whole." The intent is to moderate competition for tax ratables by ensuring that each municipality receives a fair share of the property tax generated by new development, regardless of where it occurs. A New Jersey Supreme Court decision, rendered in May 1972, upheld the constitutionality of the tax sharing section of the Act and the formula now in effect.

The mechanism for tax sharing is a common pool, the Intermunicipal Account, operating since 1973. Consistent with typical pool arrangements, standards are prescribed under which the municipalities will contribute to or draw from the pool. Taxes collected from ratables existing in the Meadowlands portion of a community before 1970 are not subject to the tax sharing procedure. Each municipality retains its full tax collection powers. Properties in the Meadowlands portion of the town are taxed in exactly the same manner as all other properties. Although the formula is somewhat complex, these basic steps are followed:

- Each municipality pays its county taxes. The remaining taxation, minus the amount collected on ratables existing in 1970, is subject to the tax sharing plan.
- The communities directly retain 60 percent of the revenues left after payment of county taxes and the deduction of pre-1970 ratables.
- Each municipality then receives a payment for school pupils living within the District equal to the cost of educating these children.
- Each municipality receives an additional payment reflecting the percentage of property it has within the Meadowlands District.
- Those communities whose total credits are larger than the amount subject to tax sharing receive payments from the tax sharing fund. Communities whose total credits are less than the amount subject to tax sharing pay into the tax sharing fund. Beginning with the year 2001, each municipality's payment is adjusted to reflect the average of its last three years' "pre-adjustment" payments.

Subject to the availability of funds appropriated through the State budget, the NJMC has a tax-sharing stabilization fund that moderates the fluctuations in tax-sharing from year to year. Any adverse tax-sharing fluctuations of more than five percent from the prior year resulting from an increase in payment or a decrease in the tax-sharing receipts receive funding from the stabilization account.

Through intermunicipal tax-sharing, each municipality is guaranteed against the loss of existing ratables due to centralized coordination of land use. All increased revenues resulting from increased property values accrue to and are distributed back to the municipalities. The legislation expressly prohibits the diversion of any funds in the Intermunicipal Account to the NJMC. The Commission merely serves as a clearing house for the tax sharing transactions, performing these calculations:

- The amount each municipality must contribute to the Intermunicipal Account.
- The total payable to the account.
- The amount each municipality receives for school service payments and guarantee payments.
- The total payable by the Account to the municipalities.
- The surplus in the Account.

- The balance for each municipality, termed the Meadowlands Adjustment Payment. The Commission certifies to the Chief Financial Officer of each District municipality the amount of the municipality's Adjustment Payment and whether the amount is payable to the Intermunicipal Account or to the municipality. The certification is made in January so that each municipality may reflect the amount in its budget.

To gather the information and calculate the Adjustment Payment, the NJMC bases the payment in each year on the calculations for the third preceding year. For example, adjustment year 2002 was based upon data for the year 1999. Each municipality sets tax rates and collects taxes as usual from the property owners within its jurisdiction, both inside and outside the District. The tax-sharing process is designed to prevent disruption in the manner by which these functions would otherwise be administered by the municipalities.

The balance of the chapter is devoted to an analysis of various economic factors, such as population, the labor force, economic sectors or establishments, and the home-buying market. The analysis is made acknowledging the District economy's interdependence with the regional and national economies. Consequently, a regional perspective generally provides the proper context for analyzing many of the District's economic issues, with economic information drawn from the State or national level as needed. Data specific to the District's fourteen municipalities or the District itself are used where available. The analysis guides the shaping of the planning strategies in Chapter 10, designed to spur economic development while enhancing the District's role in promoting a more sustainable society.

ECONOMIC TRENDS AND OUTLOOK

At the beginning of 2001, the nation ended a record ten-year expansion and commenced the tenth recession since World War II. The recession was officially declared over as of November 2001, although employment continues to decline nationally. The New Jersey Council of Economic Advisors has reviewed the state of the economy at mid-2003. These are among the Council's observations for the State:

- Strong employment in residential construction, leisure and hospitality, and government offset a steady decline in manufacturing that followed national trends during the first half of 2003.
- Among the sectors of strength forecast for the next 18 months are defense-related industries benefiting from increases in procurement by the Department of Defense and Homeland Security. Improvements should also be seen in distribution industries, due to a recovery in regional consumer demand, finance services, money management, and technology.
- Increased demand since early 2002 has been met by increased productivity, not by adding workers.
- Lower tax withholding rates and the State's projected share of the revenue sharing provision should add approximately $2 billion to the Gross State Product in 2004.
- Continuing weaknesses in New York City's economy impact northern New Jersey across a broad range of industries.
- Worldwide capacity surpluses in manufacturing constrain recovery.

Resident Population

From an economic standpoint, population is of interest in determining both the size and composition of the area labor force and the potential consumers of goods and services produced. The District and the surrounding region offer an abundant pool of potential workers and consumers:

- In the year 2000, Bergen and Hudson counties had a combined population of almost 1.5 million, 17.7 percent of the State's total.
- The Census 2000 reported a total population of 448,585 for the District's fourteen municipalities. This marks an increase of 8.3 percent to the 1990 level of 414,070 and reverses the population declines of the 1970's and 1980's.
- The portion of the above population residing within the District stood at 10,635 in the Year 2000, a two percent increase above the 1990 level of 10,426.

The New Jersey Department of Labor notes several major demographic shifts that will be observed statewide in the coming years. The June 2000 analysis used 1998 as the baseline year with projections to 2008. Even as the projections continue to be revised, these four trends should exert considerable influence on the regional economy:

- Early members of the "baby boom" generation (persons born between 1946 and 1964) will begin to retire from the labor force. In 2008, the first boomers will be 62 years of age.
- The children of the baby boomers, the so-called "baby boom echo" (persons born between 1977 and 1994) will constitute the second largest age group in the State, a total of 23 percent of the total population in 2008. Secondary school enrollment and new entrants to the labor force, college, and the military are expected to increase from 1998 to 2008.
- The "baby bust" generation, born between 1965 and 1976, will be 32 to 43 years old in 2008. This group will account for less than one-sixth of the State's population.
- The projected Statewide increase in persons 65 years and over is 8.5 percent for the decade 1998 to 2008. This rate is slower than any previous decade in a century and is attributed to low birth rates during the Great Depression.

Resident Labor Force

Resident employment measures employed persons by place of residence, as opposed to place of work. The resident labor force has two components: the employed and the unemployed population. Employed are all civilians 16 years and over who were either at work in paid employment or self-employment or with a job but not at work due to temporary absence. The unemployed consists of all civilians 16 years and over who do not meet the criteria for being employed, were looking for work during the last four weeks, and were available to start a job. Also included as unemployed are civilians who did not work at all during the reference week, were waiting to be called back to a job from which they had been laid off, and were away from work except for temporary illness. People on active duty in the United States Armed Forces and those who are institutionalized are excluded from these definitions.

Data regarding resident employment for the District's municipalities are available from the New Jersey Department of Labor (NJDOL). The most recently published data, summarized in Figure 8.1, concern total residents in the labor force, employment, and unemployment. The fourteen municipalities of the District have a combined labor force of over 220,000. Unemployment in 2002 was at an average of 8.0 percent, an increase to the 6.1 percent rate in 2001 and somewhat higher than the 5 percent level generally considered by economists as full employment.

FIGURE 8.1
2002 Annual Average Labor Force Estimates

	Labor Force	Employment	Unemployment	Unemployment Rate (%)
Bergen County (10 District municipalities)	**48,334**	**45,814**	**2,520**	**5.2**
Hudson County (4 District municipalities)	**172,108**	**156,971**	**15,137**	**8.8**
Total for 14 District municipalities	**220,442**	**202,785**	**17,657**	**8.0**
State of New Jersey	**4,367,800**	**4,112,800**	**255,000**	**5.8**

Source: New Jersey Department of Labor, 9/30/2003

Income information regarding New Jersey households was previously reported in Chapter 2, History and Baseline Data. In brief, the State ranked first in terms of median household income in the year 2000, at an estimated $54,226 a year. The data also underscore the income disparities between the two counties. Bergen County's median household income stood at $61,925, or 14 percent above that of the State, indicating considerable prosperity and consumer buying power. Significantly lower median household income is found in Hudson County. There, the median household income stood at $37,189.

The region encompassing Bergen and Hudson counties also offers employers an educated, competitive labor force. As reviewed previously in Chapter 2, both Bergen and Hudson counties have higher percentages of residents that have attained a bachelor's degree or higher than the State and the nation.

Economic Sectors

An analysis of the economy by sectors or establishments can yield insights as to the type and scale of businesses that may be encouraged to locate in the District. This information can then be applied to the development of a land use plan. National and State trends can contribute to knowledge of the District's strengths and the development of an economic outlook. A major constraint to economic expansion in the Meadowlands District is the amount of space suitable and available to accommodate growth in the various economic sectors. Creative planning can, however, facilitate growth.

The US Census Bureau reports the following national trends in 2000:

- Revenues for the for-hire trucking industry, couriers and messengers, and warehousing and storage industries increased by 7 percent between 1999 and 2000, from $249 billion to $267 billion.
- Couriers' revenue grew by 12 percent, to $48 billion. Local messengers and local delivery revenues were up 7 percent, to $4 billion.
- General warehousing and storage revenue grew by 6 percent, to $7 billion.
- Revenue from shipments of electronics & precision instruments and automobiles & other vehicles increased by 10 percent to $10 billion.
- Revenue from hazardous materials shipments increased by 5 percent to $10 billion.
- Highway miles traveled by for-hire trucks increased by 4 percent to 87 billion miles.

Additional economic strengths for the State have been cited by the New Jersey Business Resource Center:

- Hub of the most modern telecommunications network in the world, providing access to fiber optics and other high speed data transmission.
- First in the nation in the area of pharmaceutical R & D. In 2000, twelve of 33 (36 percent) FDA-approved drugs were products of New Jersey-based companies.
- Ninth largest exporting state. Exports increased 1.7 percent from 2000 to 2001.

Basic statistics collected under the Economic Census, conducted by the US Census Bureau once every five years, identify strengths of the regional economy. The most recent Economic Census, conducted in 1997, classifies data according to the 1997 North American Industry Classification System (NAICS), which supersedes the Standard Industrial Classification (SIC) used in reports from prior censuses. Data from the 2002 Economic Census will not be published until the years 2004 and 2005. Data for 1997 are available at the county level for sales, shipments, receipts, revenue, or business done, which includes the total volume by business establishments within the scope of the Economic Census. The data, published for eleven of the eighteen business establishment categories, are included in Figure 8.2.

Wholesale trade is the leading sector reported for Bergen and Hudson counties. Wholesale trade comprises establishments engaged in wholesaling merchandise and rendering services incidental to the sale of merchandise. Basically, the wholesale trade sector includes:

- Merchant wholesalers who buy and take title to the goods they sell;
- Manufacturers' sales branches and offices who sell products manufactured domestically by their own company; and
- Agents and brokers who collect a commission or fee for arranging the sale of merchandise owned by others.

The volume of containerized cargo moving through the Port of New York and New Jersey increased by 5.6 percent in 2001. The Port Authority expects imports of consumer goods to grow between 3.7 and 4.8 percent from 2000 to 2010. The Port's current capacity of 3.2 million TEU's (Twenty-foot Equivalent Units, a standardized measure of containerized traffic volume) for containerized cargo could be exceeded as early as 2004. Ocean shipping containers

FIGURE 8.2

Sales, Shipments, Receipts, Revenue, or Business Done

NAICS Code and Description:	Thousands of Dollars: Bergen County	Hudson County	Regional Total
31-33 Manufacturing	10,419,668	4,220,836	14,640,504
42 Wholesale trade	62,435,340	11,271,459	73,706,799
44-45 Retail trade	10,766,061	3,842,879	14,608,940
53 Real estate/rental/leasing	1,821,637	628,099	2,449,736
54 Professional/scientific/technical services	3,087,018	936,458	4,023,476
56 Administrative/support/waste management/remediation services	1,850,763	654,120	2,504,883
61 Educational services	111,748	19,756	131,504
62 Health care/social assistance	2,115,056	1,386,859	3,501,915
71 Arts/entertainment/recreation	426,077	50,615	476,692
72 Accommodation/food services	1,116,936	466,491	1,583,427
81 Other services (except public administration)	2,088	390,448	392,536

Source: US Bureau of the Census, 1997 Economic Census

generally are 20 or 40 feet long. As an example, a single, 40-foot container represents 2 TEU's. Much of the goods arriving in area ports are purchased and consumed within the region. Transporting goods from their port of entry to their point of sale will present a growing challenge for two primary reasons: 1) a shortage of suitable warehouse space; and 2) the limitations of the transportation network, including freight movement and the associated capacities of shipping ports, roadways, and railways. Much of these goods will eventually be sold to consumers in the New York/New Jersey region. Inland warehouses will be in high demand, while land and governmental approvals will likely become more difficult to obtain.

The manufacturing and retail trade sectors also have a significant presence. The US Bureau of the Census did not publish comparable data for warehousing, another major land use in the District.

Recent trends in the warehouse and industrial market have been reviewed as part of the New Jersey Department of Transportation's "Portway Extensions Concept Development Study." Figure 8.3 summarizes trends relating to total space development and asking rents. From the third quarter of 1998 through the fourth quarter of 2002, the total square footage of warehouse and industrial space in Bergen and Hudson counties increased by 3.6 percent. During the same time period, increases in asking rents rose significantly, 25.2 percent for Bergen County and 28 percent for Hudson County.

FIGURE 8.3
Warehouse/Industrial Space Trends

County	Existing Space (in sq. ft.)			Asking Lease Rate (per sq. ft.)		
	3rd Qtr. 1998	4th Qtr. 2002	Percent Change	3rd Qtr. 1998	4th Qtr. 2002	Percent Change
Bergen	115,631,718	120,322,432	4.1%	$ 5.56	$ 6.96	25.2%
Hudson	101,552,624	104,647,867	3.0%	$ 4.61	$ 5.90	28.0%
Total	217,184,342	224,970,299	3.6%			

Source: CB Richard Ellis, as reported in "Portway Extensions Concept Development Study;" draft, June 25, 2003

The firm of Cushman & Wakefield of New Jersey, licensed real estate brokers, publishes information regarding trends in the industrial market. The firm indicates that leasing activity and current available space for the Northern New Jersey industrial market at mid-2003 were holding at levels comparable to those recorded at the same time last year. Availability rates are among the lowest of any market area nationally.

Cushman & Wakefield also compiles data regarding the Meadowlands industrial submarket. The submarket covers significant portion of the Meadowlands District and adjacent areas, comprising Carlstadt, Moonachie, East Rutherford, Hasbrouck Heights, Lyndhurst, Rutherford, Teterboro, North Bergen, Secaucus, and Union City. The firm cites the submarket's quick access to the New York metropolitan area, its "deep" labor pool, and its flat topography as reasons that many companies prefer the Meadowlands as a location for distribution centers.

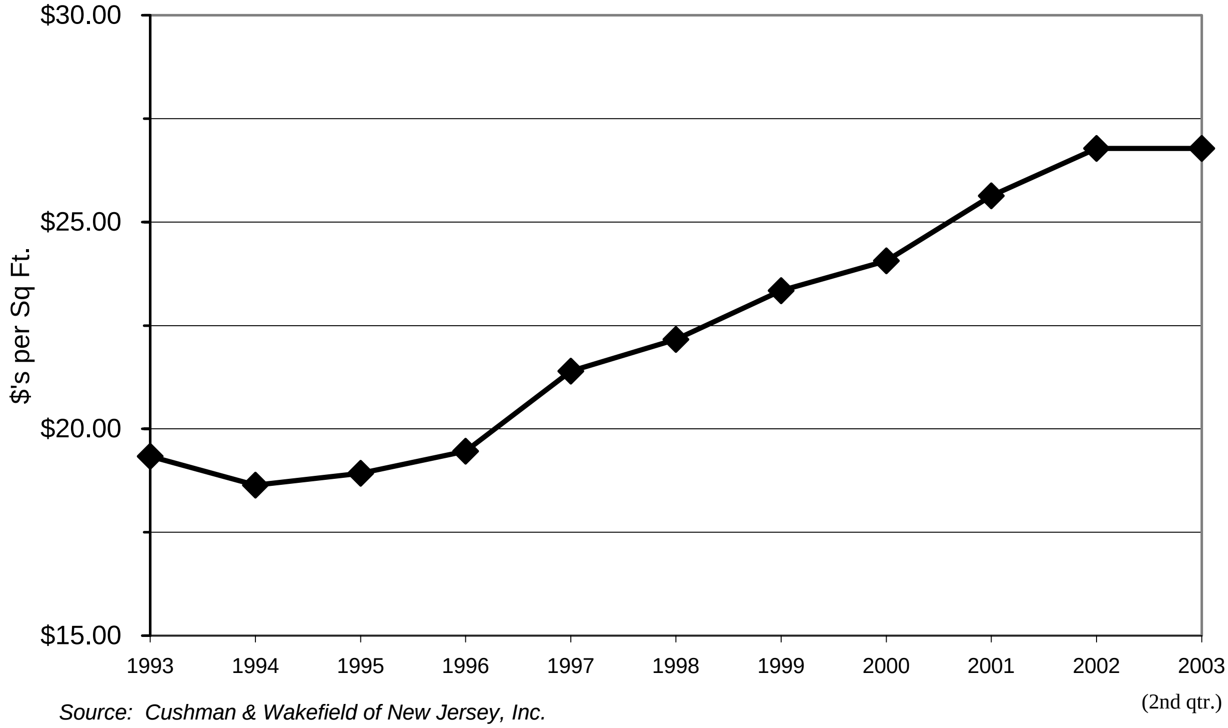
The firm further reports that some companies are discovering the value of owning, rather than leasing, industrial space within the Meadowlands submarket. Of the 764,700 square feet that changed ownership in the second quarter of 2003, a total of 52 percent was acquired by users. For the rental market, average asking rents in the quarter stood at $6.58 per square foot.

The real estate market for office space is another economic sector, the strength of which is often regarded as a measure of the District's overall economic health. Cushman & Wakefield of New Jersey also publishes office space information for the Meadowlands submarket. The submarket included over 6.8 million square feet at the close of the second quarter of 2003. This represents nearly seven percent of the total inventory for Northern New Jersey.

Overall rental and vacancy rates for the Meadowlands office market, regardless of class, are included as Figures 8.4 and 8.5. The average asking rental rate for the second quarter of 2003 was $26.78 per square foot. The overall vacancy rate had climbed to 20.5 percent from the decade's low of 12.2 percent in 1997, approaching the 21.9 percent level of a decade ago. The ample inventory of available space caused a leveling of asking rents over the 2002 level.

FIGURE 8.4

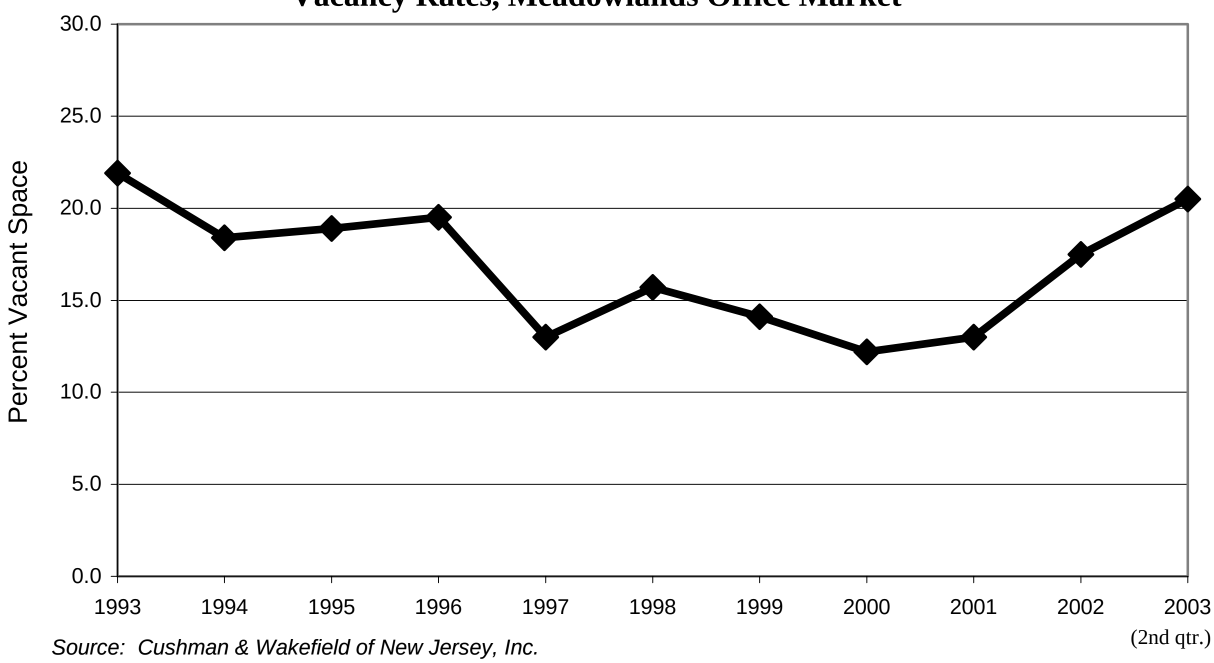
Asking Rental Rates, Meadowlands Office Market



Source: Cushman & Wakefield of New Jersey, Inc.

FIGURE 8.5

Vacancy Rates, Meadowlands Office Market



Source: Cushman & Wakefield of New Jersey, Inc.

Additional insights can be gained through reviewing employment by economic sector. Data regarding within-District employment as of December 2001 are included in Figure 8.6. The data were obtained through impartial third party sources and may not address all employment. Manufacturing and wholesale trade are predominant employment categories at the District level. Transportation and warehousing, as well as retail trade, also employ significant numbers.

FIGURE 8.6
Paid Employees within the Meadowlands District by NAICS Code

NAICS Code and Description:	Number of Paid Employees Bergen Municipalities	Hudson Municipalities	District Total
Agriculture, Forestry, Fishing & Hunting	15	0	15
Mining	0	4	4
Utilities	32	198	230
Construction	1,239	1,062	2,301
Manufacturing	16,083	5,736	21,819
Wholesale Trade	5,876	8,091	13,967
Retail Trade	1,213	5,642	6,855
Transportation and Warehousing	2,621	6,971	9,592
Information	1,130	2,707	3,837
Finance and Insurance	1,237	1,489	2,726
Real Estate, Rental & Leasing	561	633	1,194
Professional, Scientific, & Technical Services	2,047	2,190	4,237
Management of Companies and Enterprises	2	40	42
Administrative Support/ Waste Mngmnt/Remediation	1,751	1,043	2,794
Educational Services	386	130	516
Health Care & Social Assistance	2,943	509	3,452
Arts, Entertainment & Recreation	1,634	173	1,807
Accommodation & Food Services	1,673	1,415	3,088
Other Services (except public administration)	578	440	1,018
Public Administration	167	396	563
TOTAL EMPLOYEES	41,188	38,869	80,057

Source: Dun and Bradstreet, December 2001

An overview of recent events with regard to the larger Northern New Jersey region (Bergen, Essex, Hudson, Hunterdon, Middlesex, Morris, Passaic, Somerset, Sussex, Union, and Warren counties) is available from the New Jersey Department of Labor's Bureau of Labor Market Information. For the year ended June 2003, nonfarm payrolls in the 11-county region increased 0.3 percent, compared to 0.7 percent Statewide. Job growth has been concentrated in several discrete economic clusters, including government, education, and health and social services (particularly health care and social assistance). Notable setbacks during the same time period took place in manufacturing, due to losses in both durable and nondurable goods, and information, due to downsizing in telecommunications. Job growth in the coming months can be expected in education, health and social services, and government, due to an expanding and aging population. Manufacturing employment will likely decline further as companies reduce staff to lower operating costs and move operations out of the region. Construction payrolls should remain steady.

FIGURES 8.7, 8.8, 8.9, and 8.10 *Development around the District has assumed a variety of looks in recent years. Clockwise, beginning at the top of the page:*

FIGURE 8.7 *210 Chubb Avenue in Lyndhurst*

FIGURE 8.8 *Boiling Springs Savings Bank at 23 Park Avenue in Rutherford*

FIGURE 8.9 *Hampton Inn at 304 Paterson Plank Road in Carlstadt*

FIGURE 8.10 *AmeriSuites at 575 Park Plaza Drive in Secaucus*

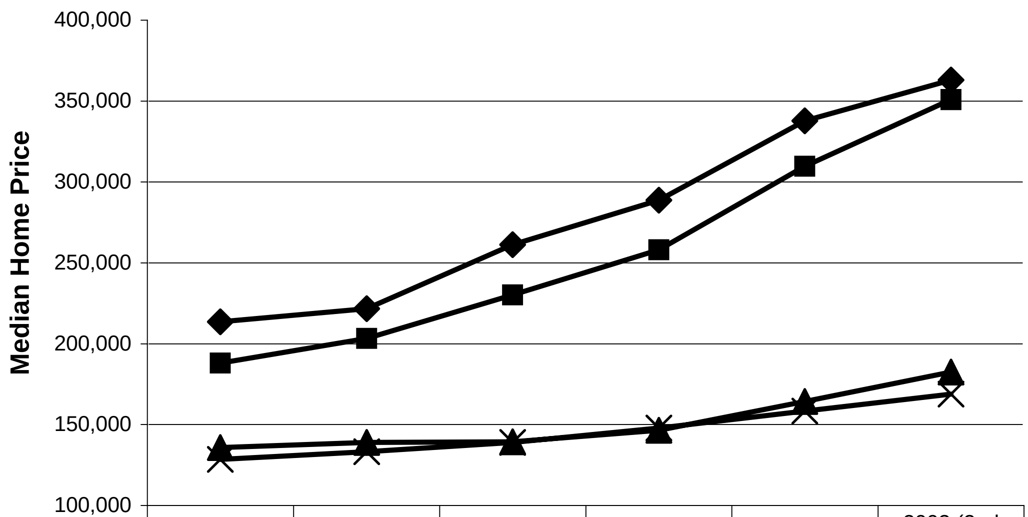
Housing Market

The strength of the housing market is important to the vitality of the overall economy, since housing and related industries account for a significant portion of the Gross Domestic Product. The market for existing homes set records nationally in 2001 and 2002. Sales of existing single-family homes continued to rise above historic norms through the first half of 2003. Home prices have also continued to rise. The National Association of Realtors (NAR) attributes record sales to low interest rates, increasing numbers of households, an improving economy, and rising consumer confidence. NAR forecasts that 2003 will set a third consecutive record for both existing and new home sales.

The record volume of sales have produced robust growth in home prices, particularly in Northern New Jersey. Recent median home prices are shown in Figure 8.11, as compiled by the National Association of Realtors. The Bergen-Passaic metropolitan area includes the ten Bergen County municipalities of the Meadowlands District. The median price of $363,000 for the Bergen-Passaic metropolitan area in the second quarter of 2003 ranked seventh nationally. The 7.1 percent gain over the previous twelve-month period was only slightly lower than the 7.4 percent nationwide. Median home prices stand at more than double the national median of $168,900. Data for the Jersey City metropolitan area, including Hudson County and the remaining four municipalities of the District, was not available. Bergen and Hudson counties are, however,

FIGURE 8.11

Median Sale Prices for Existing Homes



	1998	1999	2000	2001	2002	2003 (2nd qtr.)
Bergen/Passaic NJ	213,500	221,800	261,200	288,800	337,900	363,000
New York/N. New Jersey/Long Island, NY/NJ/CT	188,100	203,200	230,200	258,200	309,800	350,900
Northeast	135,900	139,000	139,400	146,500	164,300	182,500
United States	128,400	133,300	139,000	147,800	158,300	168,900

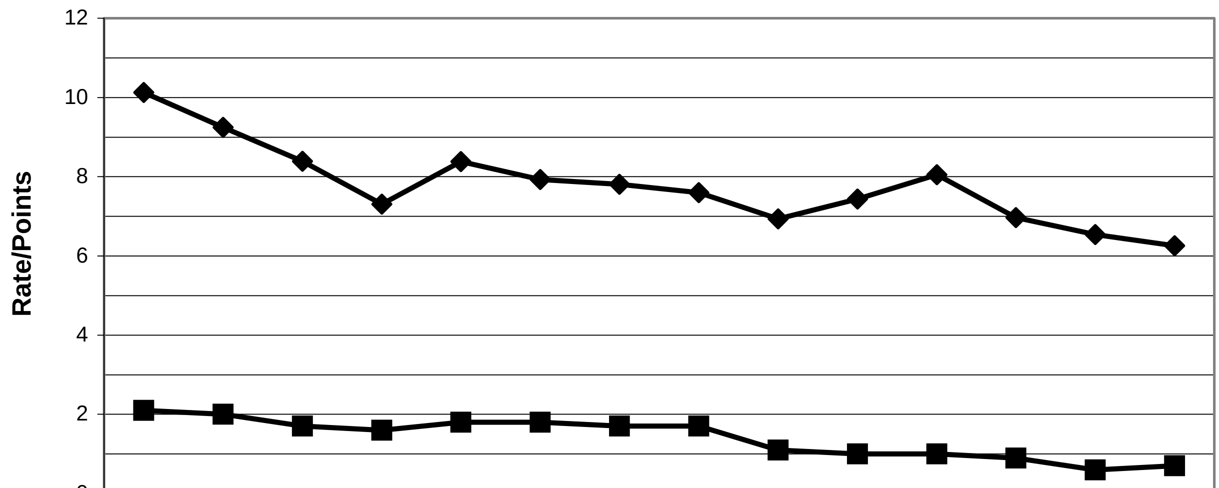
Source: National Association of Realtors both part of the larger New York/Northern New Jersey metropolitan area, also reported in Figure 8.11. Median home prices throughout the metropolitan areas were near double the prices for the greater Northeast region and the United States.

The overall data are consistent with the comparatively high housing values reported by owners in the Census 2000 Supplementary Survey, included in Chapter 4, Housing. Per the Supplementary Survey, New Jersey's median housing value of $171,988 was 43 percent higher than the national median in 2000 and ranked fourth among the fifty states. Bergen County's median value stood significantly higher at $245,538, while Hudson County's median value for an owner-occupied unit was somewhat lower at $154,460.

Interest rates for residential mortgages are a factor in the volume of home sales. Freddie Mac, a corporation chartered by Congress in 1970, supplies lenders with money to make mortgages and reduces the mortgage rates paid by certain homebuyers. Freddie Mac's Primary Mortgage Market Survey provides a reliable gauge of mortgage rate trends and market conditions. For August 2003, 30-year fixed-rate mortgages (FRM) remained low by historical comparisons over a 35-year period, averaging 6.26 percent and 0.7 point. Investors have continued to turn to the bond market, including US Treasury bonds. Mortgage rates, in turn, have declined. Annual average FRM's from 1990 are reported in Figure 8.12.

FIGURE 8. 12

Historical 30-Year Fixed Rate Mortgages, Annual Average Commitment Rate and Points since 1990



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003 (Aug.)
Rate	10.13	9.25	8.39	7.31	8.38	7.93	7.81	7.6	6.94	7.44	8.05	6.97	6.54	6.26
Points	2.1	2.0	1.7	1.6	1.8	1.8	1.7	1.7	1.1	1.0	1.0	0.9	0.6	0.7

Source: Freddie Mac Primary Mortgage Market Survey

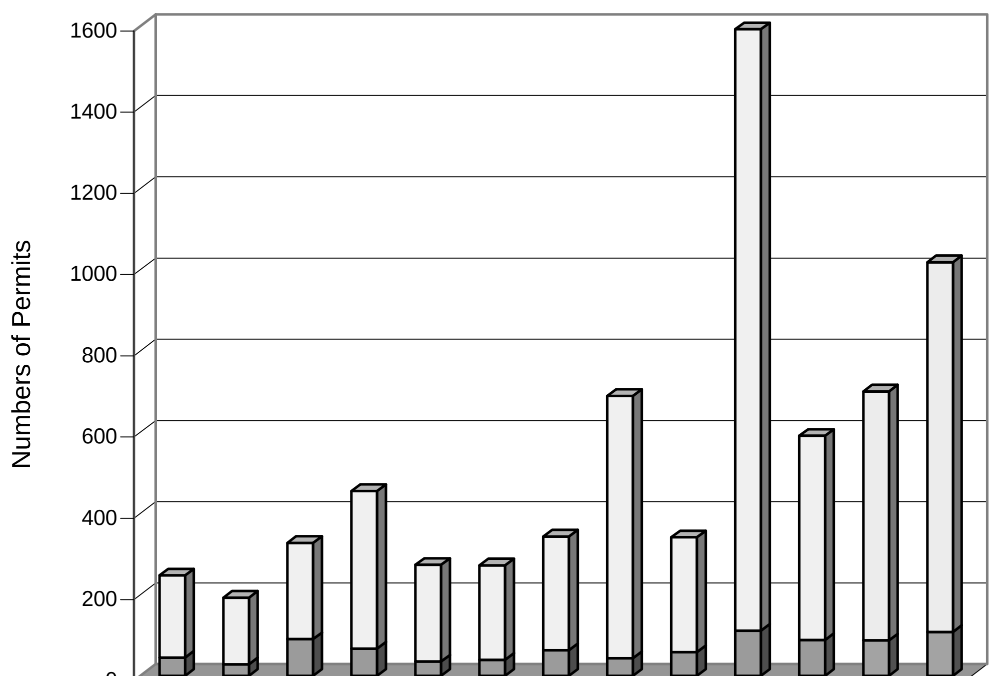
The level of permitting for the construction of residential units can provide an additional measure of the local housing market's strength. For the municipalities of the Meadowlands District, most of the land suitable for new housing lies outside the District and is largely developed. Consequently, permitting activity is not itself a reliable indicator for the economic health of the local market. A dearth of permits could, however, suggest a slow local economy. Residential building permits issued from 1990 through 2002 for the District's municipalities are shown in Figure 8.13. Residential construction has generally been a viable, yet modest, element of the area's building industry. Jersey City accounted for approximately 70 percent of the permits issued during the thirteen years at locations generally outside the District's boundaries.

Additional information regarding housing is included in Chapter 4.

FIGURE 8.13

Residential Building Permits Authorized, 1990 - 2002

Muncipalities of the Meadowlands District



	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002
Hudson County (4 municipalities)	202	164	237	388	238	233	280	646	283	1481	503	613	910
Bergen County (10 municipalities)	45	28	90	67	35	39	63	43	58	111	88	87	108

Source: US Census Bureau Manufacturing & Construction Division, as reported by the NJ Department of Labor

Further insights into the economic vitality of the District and the surrounding region can be gained from New Jersey data regarding productivity and energy efficiency, as well as trends shown by the Consumer Price Index.

Gross State Product

Gross State Product (GSP) is the market value of the goods and services produced by the labor and property located in a state. It is a traditional measure of economic activity, arguably the best indicator of a state's well-being. GSP is derived as the sum of GSP's originating in all industries in the state. An industry's GSP, or its "value added," equals its gross output (sales or receipts and other operating income, commodity taxes, and inventory change) minus its intermediate inputs (consumption of goods and services purchased from other U.S. industries or imported).

The most recent estimates of GSP, released in May 2003, are for the year 2001. New Jersey's preliminary GSP of $332,897 million remained essentially unchanged from the year 2000 level of $332,927 million. This compares to a 0.4 percent increase for the nation as a whole. New Jersey's share of the nation's 2001 GSP was approximately 3.6 percent, the same as for the year 2000. The State's overall growth in retail trade; finances, insurance, and real estate; and services offset losses in manufacturing and transportation/public utilities.

Productivity

Greater output from the same amount of work results in higher productivity. Productivity can be measured by calculating the amount of estimated Gross State Product produced per laborer. As shown in Figure 8.14, productivity statewide has generally been rising from 1992 to 2001, although 1999 to 2001 have seen relatively modest gains. According to the New Jersey Council on Economic Advisors, the State's above average level of productivity makes job creation even more difficult to achieve.

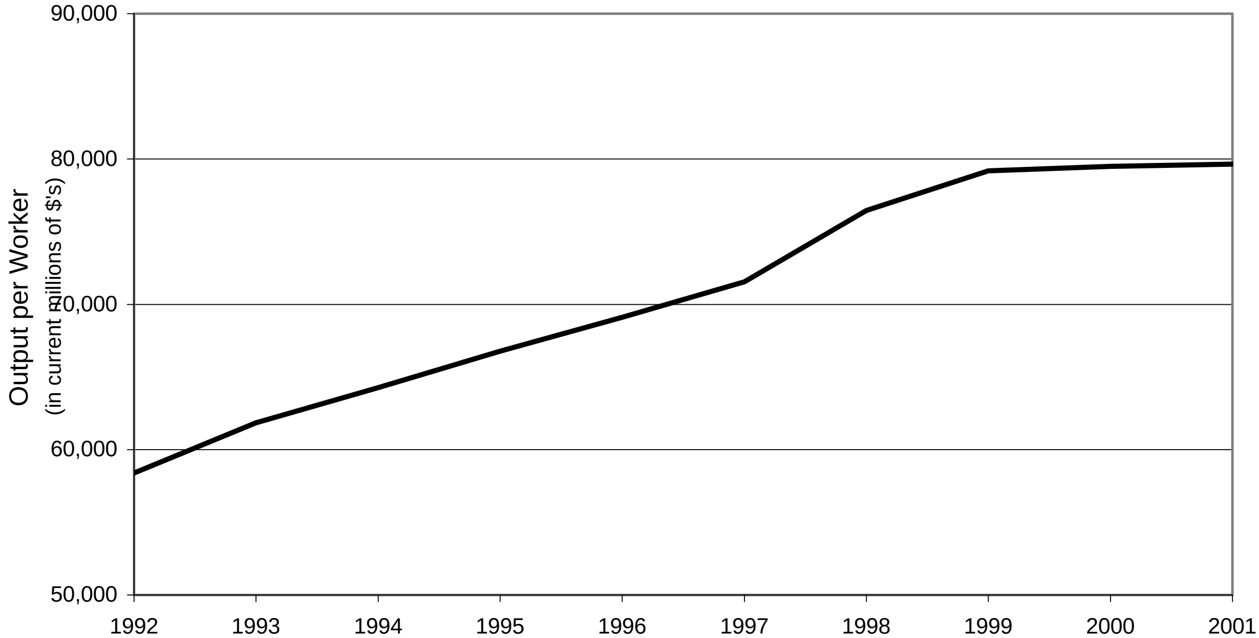
Consumer Price Index

The Consumer Price Indexes (CPI's) reflect monthly data on changes in prices paid by urban consumers for a representative "basket" of goods and services. When wages and salaries fail to keep up with increases to the CPI, consumers' buying power is eroded. For the year ended in December 2002, the Consumer Price Index for All Urban Consumers (CPI-U) increased 1.6 percent. The percent change is consistent with the recent pattern of modest annual fluctuations indicated in Figure 8.12.

As of mid-2003, consumer prices had risen 2.1 percent nationally over the past twelve months. According to the New Jersey Council of Economic Advisers, regional price increases were led by housing, which had increased by 4.3 percent due largely to increases in fuels and utilities. Motor fuel prices caused transportation costs to rise by 4 percent. One of the few signs of deflation in the region was an 11+ percent fall in apparel prices.

FIGURE 8.14

Productivity in the State of New Jersey, 1992 - 2001



Sources: United States Bureau of Economic Analysis and New Jersey Department of Labor

FIGURE 8.15

Annual Percent Changes in CPI-U for Urban Consumers

Source: United States Department of Labor, Bureau of Labor Statistics

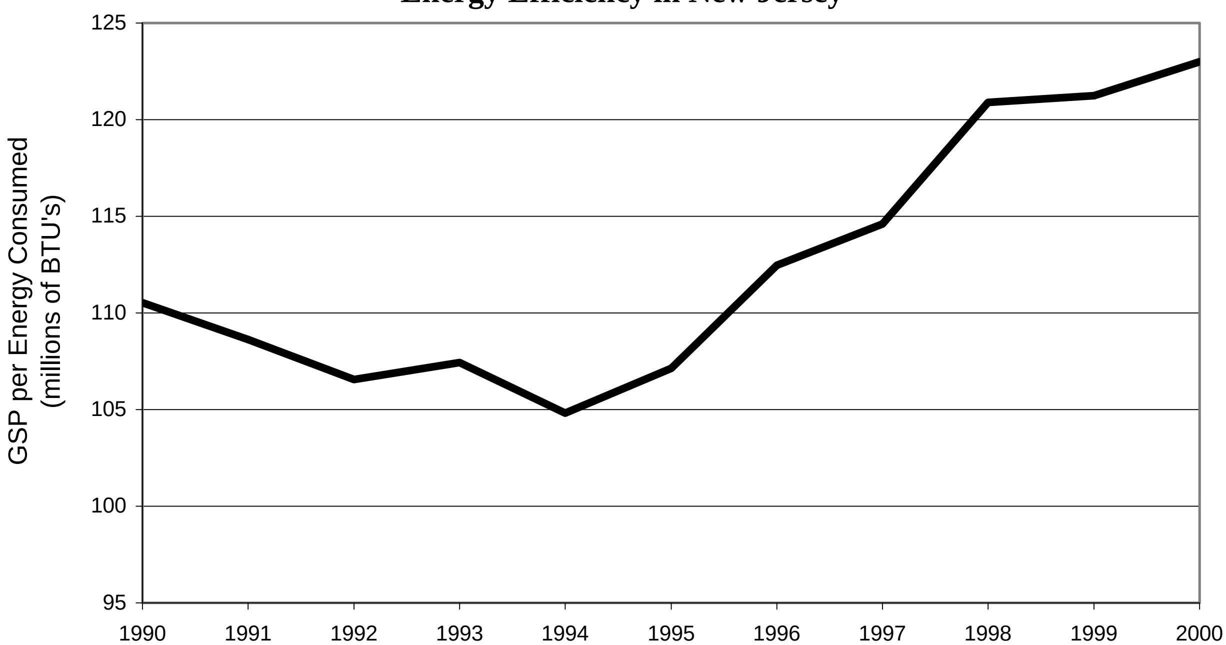
Energy Efficiency

Another measure of economic competitiveness is the amount of energy we consume for each dollar produced. Greater energy efficiency means less dependency on out-of-State sources and a better ability to reduce pollution and greenhouse gases. Lower energy costs also translate into more disposable income for individual consumers.

The US Department of Energy has prepared a ranking of the fifty states' energy consumption. The most recent data set is for 2000. Although New Jersey ranked 12th in total energy consumption, its per-capita consumption was 32nd. A somewhat more complicated measure of energy efficiency is presented in Figure 8.16. Energy efficiency Statewide is calculated by comparing the ratio of annual Gross State Product to the amount of energy consumed. From 1990 to 2000, there was a small net increase in energy efficiency.

FIGURE 8.16

Energy Efficiency in New Jersey



Sources: US Bureau of Economic Analysis; Energy Information Administration

KEY CONDITIONS

The economy of the northern New Jersey region is fundamentally strong, in spite of recent employment declines in certain economic sectors. Trends for the region and the State include the following:

- The region is home to a stable, educated population that offers employers an abundant, competitive labor force.
- The comparatively high median income for households in Bergen and Hudson counties indicate strong consumer buying potential to support the regional economy. New Jersey ranks first in the nation with regard to household income; Bergen County's median household income is significantly higher than that of the State. In recent years, relatively low increases or actual decreases to the Consumer Price Index have maintained consumers' overall buying power, although housing costs have been increasing at a high rate.
- The economy is supported by a diversity of growth industries, concentrated in several discrete economic clusters. Recent job growth has taken place in government, education, and health and social services, due to an expanding and aging population. Retail trade; finances, insurance, and real estate; and services are major contributors to growth in New Jersey's Gross State Product. These growth sectors have compensated for a decreased reliance on manufacturing industries.
- Chemicals and allied products, as well as security and commodity brokers, are major contributors to growth in New Jersey's Gross State Product. These growth sectors have compensated for a decreased reliance on manufacturing industries.
- Productivity and energy efficiency, both measures of economic competitiveness, have made small gains Statewide in recent years.
- Substantial increases in imports of consumer goods are driving demands for 1) freight movement and the associated capacities of shipping ports, roadways, and railways; and 2) the need for suitable warehouse space.
- Low interest rates and the high demand for housing in the region have triggered the rise of median sale prices for existing homes to double the median price for the nation.

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